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C O N F I D E N T I A L SECTION 01 OF 02 TRIPOLI 000321

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(CORRECTED COPY)

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DEPT FOR NEA/MAG AND EUR/RUS

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SUBJECT: DEBT, ARMS AND ENERGY ON AGENDA FOR QADHAFI-PUTIN MEETING

REF: A) TRIPOLI 297, B) TRIPOLI 1038

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CLASSIFIED BY: Chris Stevens, CDA, U.S. Embassy - Tripoli, State.

REASON: 1.4 (b), (d)

¶1. (SBU) Copy corrected to reflect correct overall classification of the cable.

¶2. (C) Summary: With Russian President Vladimir Putin scheduled to arrive on April 16 for an overnight visit, hundreds of Russian security and support staff have descended on Tripoli, filling the capital's major hotels, old city and shopping districts. Confirming media reports, Russian Embassy officials say Putin's agenda for meetings with Leader Muammar al-Qadhafi will include rescheduling Soviet-era debt and discussing military equipment sales, gas production and a possible civilian nuclear energy agreement. Officials from Rosoboroneksport and Gazprom will accompany Putin. End summary.

¶3. (SBU) Putin will overnight at Tripoli's sole (nominal) five-star venue, the Corinthia Baab Afriqiya Hotel (which also houses the US Embassy). Hundreds of busy Russian advance officials have managed to make time to tour Tripoli's Old City and to shop for inexpensive knock-off clothing and goods in adjacent markets. The Slovak Ambassador told the CDA that the Russian delegation comprises some 580 individuals arriving in Tripoli on six to eight Russian aircraft.

¶4. (C) Russian Poloff Evgeny Kozlov told P/E Chief on April 14 that after fierce negotiations with the GOL over the venue for the visit, Putin will remain in Tripoli for meetings with Leader Muammar al-Qadhafi. It is not expected that Putin will travel to Qadhafi's hometown of Sirte, where he often prefers to host visiting heads of state. Confirming media reports, Kozlov said Putin's agenda for his meetings with Qadhafi consist of rescheduling Soviet-era debt and discussing conventional military equipment sales, natural gas production and a possible civilian nuclear energy agreement. Kozlov said finalizing a mechanism for settling Libya's debt, which he put at "several billion dollars", was a key priority for Putin. (Note: Media reports, citing Russia's 2007 budget, claim a figure of \$3.5 billion. End note.) He conceded that a possibility was an arms-for-debt structure akin to that brokered by Russia with neighboring Algeria in 2006. In that deal, he said, Russia forgave Soviet-era debt and Algeria agreed to purchase Russian military equipment.

¶5. (C) Kozlov said an arms-for-debt deal had been under discussion for "several years" under the rubric of a joint Russian-Libyan military cooperation council established in the late 1990's (see ref B). Russian news agency Interfax reported April 14 that the deal would include \$2.5 billion worth of

anti-aircraft systems, MiG and Sukhoi tactical aircraft, helicopters, submarines and warships. Kozlov confirmed that officials from Rosoboroneksport were among Putin's delegation. (Note: As reported ref A, a Rosoboroneksport official told former Congressman Curt Weldon that sales of tactical and strategic airlift aircraft and armored vehicles, and overhaul of Libyan naval vessels, would be on the table. End note.)

¶6. (C) Confirming that Gazprom officials would also number among Putin's party, Kozlov said discussions with Qadhafi were expected to touch on greater involvement by Russian hydrocarbon giant Gazprom in Libyan projects in connection with Italian company Eni. Following a publicized meeting in Moscow last week between Eni chief executive Paolo Scaroni and Gazprom chief Alexei Miller, it was announced that Gazprom is in talks with Eni about a potential asset swap that would give Gazprom access to gas fields in Libya. As reported ref B, Gazprom won exploration and production rights in the December 2007 Exploration and Production Sharing Agreement bid round for three blocks of area 64 in the Ghadames Basin. Local oil and gas contacts say Gazprom is keen to expand its presence in Libya; media reports suggest the company's expansion into Libya is part of a deliberate strategy to further monopolize gas supplies for Europe's lucrative market.

¶7. (C) Although media attention to the issue has abated in the run-up to the visit, Kozlov reiterated remarks reported ref A that Russia intends to capitalize on a "golden opportunity" to sign a general framework agreement on civilian nuclear cooperation during Putin's visit. Other diplomatic contacts have reported that the Russians hope to exploit the fact that French-Libyan civilian nuclear cooperation has not progressed to the GOL's satisfaction since a parallel agreement was signed during President Sarkozy's visit to Libya last year. Kozlov suggested that a Russia-Libya civilian nuclear agreement could/could also be linked to forgiving Libya's Soviet-era debt. (Note: It is unclear how this would work, since the civilian nuclear deal has been characterized to us as a general framework agreement, with commercial details to be negotiated and finalized in the future. End note.)

¶8. (C) Comment: Following in the tradition of Sarkozy's visit to Tripoli and Qadhafi's December 2007 stops in Paris and Madrid, Putin appears poised to engage in some high-stakes commercial diplomacy. The GOL traditionally uses high-value commercial

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contracts as expressions of its political goodwill, and is working to cast the visit as one more manifestation of its policy of successful engagement with European partners. End comment.

STEVENS